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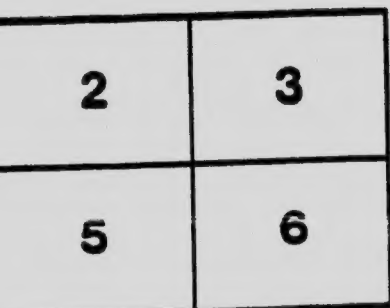
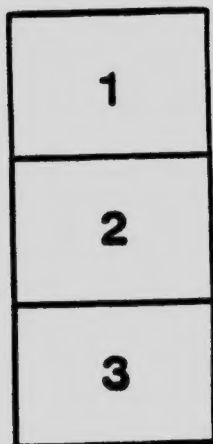
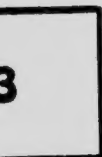
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W.C. Good

INDUSTRIAL UNREST

2

*Pray thee, take care, that takest my book in hand,
To read it well; that is, to understand.*

—BEN JONSON: *Epigram I.*

Very ready we are to say of a book, "How good this is—that's exactly what I think!" But the right feeling is, "How strange that is! I never thought of that before, and yet I see it is true; or if I do not now, I hope I shall, some day." But whether thus submissively or not, at least be sure that you go to the author to get his meaning, not to find yours.—RUSKIN.

INDUSTRIAL UNREST

*This article by W. M. Southam was read before the
Commission on Industrial Relations sitting
at Ottawa on June 13th, 1919*



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INDUSTRIAL UNREST

By W. M. SOUTHAM

▽

THE prevailing industrial unrest is very generally attributed to the seeming conflict between capital and labor. As I see the subject, capital, viewed as a whole, and labor—by which I mean all mental and manual workers—are in close co-operation now, and cannot well be otherwise.

Labor can live without capital, but under the complex conditions of modern life, it can live far better with the aid of capital. For example, labor can dig potatoes with its hands, but it can increase its earnings if it uses a spade or fork, which is capital.

Capital, on the other hand, cannot live without labor, as for example, the spade if unused is valueless. Capital does not employ labor. Labor employs capital. The disagreement in wealth production, therefore, should not be between labor and capital, but with another force, which robs both of the fruits of industry; and I will endeavor briefly to describe the action of this force and to outline the fundamental cause of our industrial troubles as I see it.

Apart from some minor causes, such as the general suspicion as to government being controlled by special interests—which could be easily corrected by the compulsory publication of campaign funds, and by the election of our representatives for both federal and provincial legislatures on the Hare proportional

representation system of the single transferable vote—in my opinion an unjust distribution of wealth is the chief cause of practically all social and economic unrest. This unjust distribution takes place in such a subtle, and because of our incorrect thinking, in such a seemingly natural way, that it is hard to detect, and therefore difficult to arouse public opinion to correct.

One of the most efficient workers the world has ever seen, a carpenter by trade, said, "Know the truth and the truth shall make you free." This applies equally to material affairs as to spiritual realities, to the economic question as to all other problems; and by stating the natural laws, or the principles, underlying the distribution of wealth, as they have been made clear to me, I hope to offer something helpful toward the solution of the problems with which this commission is dealing.

To begin at the beginning of a human problem is the best point from which to trace the effect that has followed from a given cause, and in this question we should first be in agreement on certain points from which we can then draw the same conclusion—so without going too much into economic technicalities, I will state some few accepted facts:

1. All wealth of whatever description—the furniture in this room, the building in which we are meeting, the clothes we are wearing, the food we have eaten to-day, and all other forms of wealth, primarily came from the land.

2. Wealth is produced solely by the application of labor to land.

3. This wealth fund is divided automatically and by a natural law into two minor funds:

(a) **WAGES** (a fund made up of the aggregate of the **earnings** of individual laborers), which corresponds to Labor; and

(b) **RENT** (a fund made up of the aggregate **premiums** for specially desirable locations) which corresponds to Land.

Technical Terms

Perhaps just here I should make it clear that Labor does not mean only the manual worker, but is the technical term for all human effort of an industrial character. The farmer, the lawyer, the doctor, the manufacturer, political leader, publisher, printer, as well as the drain digger on our streets, are all included in the economic term, Labor.

I should perhaps also make it clear that Land does not mean agricultural land alone, but is the technical term for all natural resources that are external to man.

Also that Wealth does not mean stocks and bonds or land, but is the technical term for all labor products; nor does Rent mean payments by tenants to owners for occupancy for buildings or other use of these or other improvements; nor does Wages mean alone the payments that an employer makes to hired workmen.

Wages is the technical term for that share in the aggregate of current production (currently produced Wealth) which remains after the deduction of enough of the whole to equalize advantages of location.

The technical term for this advantage-equalizing share of current production is Rent.

Explanation of Wages and Rent

It is the difference in the desirableness of land that divides Wealth into two funds—Wages and Rent.

Labor naturally applies itself to that land from which, considering all the existing and known circumstances most Wealth can be produced with the least expenditure of labor force. Such land is the best. So long as the best land exceeds demand for it, laborers are upon an equality of opportunity, and the entire product goes to each of them as Wages in proportion to the labor force they respectively expend. But when the supply of the best land falls below demand for it, some laborers must resort to land where, with an equal expenditure of labor force, they produce less wealth than those who use the best land. The laborers thus excluded from the best land naturally offer a premium for it, or what is the same thing, offer to work for its owner for what they might obtain by working for themselves upon the poorer land. Thus we have the differentiation of Rent from Wages. Rent goes to land owners as such, irrespective of whether they labor or not; Wages go to laborers as such, irrespective of whether they own land or not.

First Illustration

To illustrate: Let us take four pieces of land representing land which varies in productiveness to a given expenditure of labor force. Let us take the four sides of this room to represent these plots. For simplicity, let the market be equally convenient to each

plot. Let it be assumed also that one plot is as accessible to Labor as another, and that the difference in their productiveness is known.

Let us assume that No. 1 space will yield \$8 of Wealth to a given expenditure of Labor force. That No. 2 with the same expenditure of Labor force will yield but \$6 of Wealth, No. 3, \$4 of Wealth, and No. 4, \$2 of Wealth for the same expenditure of Labor force that yields \$8 of Wealth on No. 1 piece of land.

Now, to which space would Labor first resort? To which space would you resort? Obviously to that which would yield most Wealth to the given expenditure of Labor force, that is to No. 1 plot. Would we not be following a natural law in so doing?

Let us assume also that each of our plots of land would support fifty laborers. When the first fifty arrive, knowing all the circumstances in regard to these plots, they naturally take up an allotment on No. 1 plot, which, with a given expenditure of labor force will yield \$8 of Wealth; and, as there is no competition for this land among the first fifty arrivals, the entire \$8 goes to them as Wages. When the fifty-first man arrives, finding all No. 1 land taken up, he naturally turns to the second best land, which is No. 2 and yields but \$6 of Wealth for the same expenditure of Labor force that yielded \$8 on No. 1 land. Now if the fifty-first man desired to employ himself on No. 1 land, would he not be willing to offer a \$2 premium for the privilege of working on that land; or, to work for one of the owners of that land for \$6 in wages, because with the same expenditure of labor force, that is all he

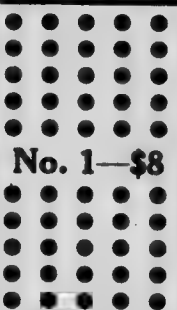
could earn by working for himself on the best land available for nothing, which in this illustration is the No. 2 plot yielding \$6 of Wealth to a given expenditure of labor force.

You will now see that Wages, which were \$8 when there was no competition for No. 1 land, on the arrival of the fifty-first man, which started competition, fell to \$6, while Rent, which did not exist before there was competition for land, has risen from nothing to \$2.

This illustrates the elementary principle of distribution that Wages fall and Rent rises as demand for land forces Labor to land of lower productiveness.

1st Illustration—LAND FOR USE

Wages: \$6 \$6

 No. 1—\$8	 No. 2—\$6	No. 3—\$4	No. 4—\$2
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Rent: \$2 Nil

Land taken up for use only—50 men on No. 1 and 51st man forced on to No. 2 land. Wages, \$6 on No. 1 and No. 2 land. Rent, \$2 on No. 1 and nothing on No. 2, 3 or 4 land, as there is no competition for this land as yet.

The foregoing rather crude but simple illustration shows the natural law when Land is held for use only. I will now give you an illustration of what happens to

Wages and Rent under our present system of land holding which allows land to be held out of use for speculative purposes.

Second Illustration

Let us assume that when the first twenty-five men arrive, knowing our land laws, and that, as other men arrive, there will surely be a demand for the best quality of land, they take up not only what they need for their own use of No. 1 plot, but all the balance of it. Still having resources left, they take up all of No. 2 land, and all of No. 3 land. Now when the twenty-sixth man arrives, what has happened? In the former illustration, he naturally took up No. 1 land and earned as wages \$8 of Wealth for a given expenditure of labor force. He now finds that the only land he can take up for nothing is No. 4 plot, which yields him but \$2 of Wealth for the same expenditure of labor force that yielded \$8 of Wealth on No. 1 plot. If he desires for any reason to work on No. 1 plot, he would be quite willing, would he not, to offer a premium or Rent of \$6 to the holders of vacant land on No. 1 plot for the right to use that land, because he would still have left from the \$8 of Wealth he could earn on that land \$2 for Wages, which is all that he could earn if working for himself on the best land available for nothing—which in this case was No. 4 plot. Or, would he not be quite willing to work for \$2 wages as an employee of one of the owners of vacant land on Plot No. 1? I think that you will agree with me that following the natural law, he would, or, if we were in his place, we would.

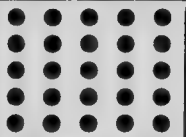
2nd Illustration—SPECULATION IN LAND

Wages: \$2

\$2

\$2

\$2

 No. 1—\$8	No. 2—\$6	No. 3—\$4	 No. 4—\$2
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Rent: \$6

\$4

\$2

Nil

Half of No. 1 taken up for use by 25 men. Same 25 men take up balance of No. 1 and all of No. 2 and No. 3 land to hold out of use for speculation. This results in wages falling prematurely from \$6 to \$2; and rent rising prematurely from \$2 to \$6, when the 26th man, instead of taking up unused No. 1 land, is forced on to No. 4 land—the only land available to him for nothing.

These crude illustrations take no notice of the immense increase in wealth production due to social progress—the minute divisions of labor, the mechanical inventions, the discoveries of natural science, etc., etc., which, though they increase Wages relatively, enormously increase Rent to a far greater degree, because of the present unjust distribution of Wealth.

Effects of Land Speculation

Now see what has happened. Because our laws allow of speculation in land, wages in this illustration have fallen prematurely and unnecessarily from \$8 to \$2, and rent has risen from nothing to \$6.

In other words, the laborer's earnings which he needs to clothe, feed and educate his family, have been forced down to a minimum by land speculation and

simultaneously by the premature rise in rent, his living expenses have been increased.

Speculation Against Public Interest

If it is remembered that the wages fund is the fund from which all men as farmers, manufacturers, lawyers, doctors, publishers, printers, artisans and other workers, as such, are paid, whether in the form of profits, fees, salaries, or weekly pay envelopes, you will perceive how very much against the public interest it is, that speculation in land should be permitted; or that anyone should be allowed to hold land out of use, thereby decreasing wealth production and wages, and prematurely increasing rent and cost of living.

Low Rent Beneficial

If you also remember that rent—or land values—is brought into being only by competition for land, or in other words, competition for opportunities to work or to produce wealth, as was shown in the first illustration on the arrival of the fifty-first man, you will perceive that the lower the rent fund is kept, the easier the access of Labor (which includes all mental and manual workers) to opportunities to produce Wealth and thereby increase the wages fund from which all workers, including the members of this commission, as such, draw their living.

Now, keeping clearly in mind that if you are anything else but a land owner only, that if you are an industrial worker of any description, if you are doing useful work in the community as a farmer, lawyer, doctor, manufacturer, publisher, printer, artisan, etc., you are paid only and solely, as such, from the wages

fund, you will see how helpful it would be to us all to keep that fund and to make that fund as large as possible; and also how helpful it would be to keep the rent fund—land values—as low as possible, in order to keep down the cost of living and of doing business.

I hope it has been made clear that it is in the public interest to keep economic rent as low as possible and to make the wages fund as large as possible.

Revenue Needed

The Dominion, the provinces and the municipalities need revenue for carrying on the public services, and this revenue is necessarily raised by taxation. If we tax the wages fund, will it not decrease that fund to that extent, which in turn decreases the wages which each of us draws from that fund in proportion to the labor we expend? Is it not, therefore, poor public policy to place taxes on that fund if they can be placed to greater advantage somewhere else? If my argument has made clear the relation of labor to land, I think you will agree with me that it is.

A Just Remedy

If, on the other hand, we tax the rent fund—land values—do we not thereby decrease that fund to the extent of the speculative values, which in turn decreases the cost of living and of doing business and increases the opportunities for producing Wealth.

Rent—or land values—arises only when the needs of population brings about competition for sites and makes necessary certain public services, such as police, fire, roadways, pavement, sewer and water services, etc., etc., so that it would seem to be not

only expedient, but just, that rent alone should be taxed for the upkeep of all public services and that nothing else should be taxed until the rent fund is entirely taken for governmental purposes, whether federal, provincial or municipal, and only after the exhaustion of the rent fund by taxation should other forms of taxations be resorted to. If this were done, practically the entire annual value of land would be taken in taxation, and it would not pay anyone to hold land out of use for speculation or any other purpose.

Would Equalize Opportunity

This would equalize opportunity. If the entire rent (\$2) which arose in the first illustration on the arrival of the fifty-first man were taken by the state in taxation to pay for community purposes (government), would any injustice be done as between the first fifty men and the fifty-first man? Would it not equalize opportunity as between the first fifty-one men? If so, would it not be unjust to the fifty-first man, and to those who come after him, not to take it?

Would Increase Wealth Production

Such taxation of economic rent would also increase wealth production to an extent that we have now very little conception, and the business of farming, manufacturing, transportation, publishing, together with the business of rendering personal services, such as is rendered by lawyers, and the other professions, manual workers, etc., etc., would be more profitable than they have ever been before, and we would be free from the recurring periods of depression that follow periodically the exploitation of or speculation in land.

These points will be visualized more quickly if we ask ourselves of what use to us, to our business, or to the community are all the vacant lots in our cities? Of what use to us or to our business is all the idle land throughout Canada? Of what use to us or to our business are all the idle natural resources of Canada? These give no employment to labor, buy none of our manufactures, produce no food, coal and other forms of wealth of which Canadians are in so much need.

Questions such as these will lead us to the inevitable conclusion that these should be taxed into use, or revert to the Crown or to the municipal governments for unpaid taxes.

If we tax anything else but Rent (land values) we tend to lower wages, to throttle production, to increase the cost of manufacturing, the cost of doing business of any description and therefore tend to increase the cost of living.

If we enact palliative social legislation, such as old age pensions, unemployment insurance, etc., and do not tax the rent fund for maintenance, we increase the cost of living.

A Practical Suggestion

I urge, therefore, that this commission suggest as one of the proposals it submits to the Dominion Government to correct the discordant economic conditions with which this country is afflicted, that a tax of five mills on the dollar be placed at once on the capital value of all natural resources, including land values, and that this tax be increased each year until the Dominion Government's fair proportion of the coun-

try's land values is taken for federal purposes; that the provincial and municipal governments be recommended to shift their taxes gradually onto their land values, and that as the revenues permit, all taxes on improvements, business, production and exchange be gradually eliminated. When this is done, and as it is being done, the cost of living will fall, wages will rise, strikes will be practically eliminated, and discontent will cease as it is seen this tax plan provides an equality of opportunity for all. This, in turn, will attract population and the production of wealth, and business generally will be so greatly stimulated that our bankrupt railway systems will be quickly turned into profitable ones, and the national debt will be liquidated in a surprisingly brief period.

Orderly Revolution

I recognize this is a revolutionary proposal; but it is a moderate, progressive revolution on just, methodical and sane lines—a revolution that no business man need fear—indeed, one which all just men, as the question is understood, will welcome as one that need be no shock to any legitimate business or industry; and one that will check and turn into orderly channels the tendency towards anarchy and despotism that our present system has engendered, and which is even now manifesting itself here and there throughout Canada.

NOTE—This system of taxation is treated in detail by Louis F. Post, assistant secretary of labor, U. S. Government, in his book, "Taxation of Land Values," published by Bobbs-Merrill Company, Indianapolis, which should be read by all desiring orderly development of our social structure.—W. M. SOUTHAM.

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If newspaper publishers (also business and professional men and workers generally) would study the question of the incidence of taxation as it affects the production and distribution of wealth (things needed for consumption) they would, it seems to me, soon convince themselves, not only of the justice of the remedy proposed for industrial unrest, but also of the immense possibilities it offers for promoting permanently good business conditions for all lines of business and all grades of workers, with increased wages and profits, and decreased living costs.

W. M. SOUTHAM,
Managing Director of
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